

**MINUTES OF THE
INDIVIDUAL INCOME TAX AND CORPORATE FRANCHISE
AND INCOME TAX TASK FORCE**

Monday, June 14, 2004 – 1:00 p.m. – Room W135 House Building

Members Present:

Sen. Lyle W. Hillyard, Senate Chair
Rep. Wayne A. Harper, House Chair
Sen. Gregory Bell
Sen. Karen Hale
Sen. John W. Hickman
Rep. James Dunnigan
Rep. Gregory Hughes
Rep. Patricia Jones
Rep. LaWanna "Lou" Shurtliff
Comm. Marc Johnson
Mr. Gayle Anger
Mr. Bruce Olson
Mr. Larry Newton

Members Absent:

Sen. Ron Allen
Rep. Stephen Clark
Mr. Joe Zeidner

Staff Present:

Mr. Bryant R. Howe, Assistant Director
Ms. Rebecca L. Rockwell, Associate General Counsel
Mr. Thomas R. Vaughn, Associate General Counsel
Ms. Phalin L. Flowers, Legislative Secretary

Note: A list of others present and a copy of materials can be found at <http://www.leg.state.ut.gov> or by contacting the task force secretary, Phalin Flowers, at 538-1032.

1. Task Force Business

Chair Hillyard called the meeting to order at 1:05 p.m.

MOTION: Sen. Hickman moved to approve the minutes of the May 14, 2004 meeting. The motion passed unanimously.

Mr. Larry Newton, Utah State Office of Education, was introduced as a new member of the task force. Mr. Thomas Vaughn, Office of Legislative Research and General Counsel, was introduced as a new associate general counsel to the task force.

2. Corporate Franchise and Income Taxes

Mr. Bryant Howe distributed and discussed "Individual Income Tax and Corporate Franchise and Income Tax Task Force – Background and Related Materials – June 14, 2004."

Mr. Gary Cornia, Professor of Public Management, Romney Institute of Public Management, Brigham Young University, presented "The Disappearing State Corporate Income Tax." He said that in most states, the corporate income tax share of total state and local tax revenue is declining. Reasons for this decline include rate changes, changes in definitions of federal taxable income, and that more firms are organizing as business entities other than corporations.

Mr. Keith Prescott, Chair, Utah Tax Review Commission, reviewed findings of the Corporate Tax Task Force that was organized from 1991 to 1994. He said that this task force adopted a set of principles to

guide its work. Issues that the task force considered included linkage to the federal tax system, apportionment of taxable income, and combined reporting.

Mr. Tom Williams, Utah State Tax Commission, distributed and discussed, "Remarks Before the Individual Income Tax and Corporate Franchise and Income Tax Task Force."

Mr. Terry Whipple, Tax Director, Sinclair Corporation, distributed and discussed, "Comments of Terry Whipple." He encouraged the Task Force to examine the formula now used to apportion taxable income and to consider increasing the weight given to the sales factor.

Chair Hillyard relinquished the chair to Sen. Hickman.

Mr. Steve Young, Holmes Roberts and Owen, distributed and discussed "Comments by Steve Young." He recommended several specific changes to the state corporate income tax.

Chair Hickman relinquished the chair to Sen. Hillyard.

Ms. Carol Murphy, President, and Mr. Richard Stowell, Executive Director, Utah School Boards Association, distributed and discussed, "Utah Code Article X, Section 1" and "*Columbia Falls v. Montana*."

Mr. Mike Jerman, Utah Taxpayers Association, distributed and discussed "Utah Taxpayers Association's Response to Questions from the Individual Income Tax and Corporate Franchise and Income Tax Task Force."

3. Other Items / Adjourn

Sen. Hillyard told the task force that he and Rep. Harper would review the testimony presented at the meeting and summarize the testimony for the Task Force's consideration at its next meeting.

MOTION: Sen. Hale moved to adjourn the meeting. The motion passed unanimously with Rep. Dunnigan, Rep. Harper, Rep. Moss, and Rep. Shurtliff absent for the vote.

Chair Hillyard adjourned the meeting at 4:24 p.m.